

Settlement Communication Confidential

6/22/12

USS: Discussion with USS, DOJ, EPA Attorneys

Re: Initiating Settlement Discussions and USS's demand that we take certain items off the table.

- I. Gary NSR Claims
 - a. Arnie: strong claims, easily prevail; if USS is concerned that proposed remedy isn't BACT, we will talk about it with you and negotiate (economically/technically feasible). But won't take off table.
 - b. Van: Using examples perhaps led us to believe we don't feel as strongly about Gary NSR as Granite NSR. We believe 1990 reline should be off table and 13/14 reline. Particularly #4 furnace: relief requesting saying that 1990 reline of small south furnace, demand is to put positive controls on all 4 of south furnaces is an enormous multiplier. There are many blast furnaces that involve flame suppression, which USS developed and made part of stretch out negotiations and months of demonstrating to demonstrate effectiveness and as result conducted seminars. As consequence, we would be only company that says can use flame suppression.
 - c. Arnie: discussion more appropriate for engineer involvement.
 - d. Van: South furnace - don't believe there are significant impacts on ambient air quality.
 - e. Arnie: We can take your concerns as to relief proposed back to engineers. And would prepare our engineers for next meeting.
 - f. Van: 1990 and 13/14 not taking off table?
 - i. Arnie: Not taking off table.
 - ii. Van: 13/14 has all controls one could want. And Number 4 South is a very old, small furnace, why would injunctive relief be appropriate.
 - 1. Arnie: only proposal is to increase air flow and DSI for SOs
 - 2. David: understand, but more suitable for technical discussion.
 - iii. Van: Take demand of BH #7 at Gary off table was also request.
- II. Granite NSR Claim
 - a. Arnie: this was USS's major concern and made legal arguments (successor liability, bankruptcy); we concluded that although we believe rule 11 wouldn't prevent us from asserting claim, it would be hardest claim to prove – develop factual and litigation case. Highest risk to this claim at least in comparison to other claims. We will take this claim off the table.
- III. Relief Valve Claim:
 - a. Arnie: USS stated that limiting slips in permit wasn't appropriate for injunctive relief (IR). But resolving this problem is important. Permit condition is recommendation/proposal, but as with other things we are willing to negotiate and consider other proposals.
 - b. Van: not taking slips off table?
 - i. Arnie: not taking off table.
 - ii. Van: if going to address that, then all industry needs to address b/c don't think limitation on slips is insignificant. Unions and others have right to weigh in on limitations that could have significant safety criteria. There rulemaking is appropriate measure. Demand would go beyond MACT (slips and flame suppression); US wants to do rulemaking through settlement. This is significant safety issue. Furnaces have blown up.

- c. Sabrina: Brian thinks there are ways to resolve slips without compromising safety. We won't be able to fully discuss this without the engineers at the table. If your engineers have safety and technical concerns, then better to discuss with technical staff.

IV. Next Steps

- a. Dave/Van: we won't have a response by Monday, but will tell you when we will have response
- b. Arnie: we have to terminate negotiations by the latter part of next week, b/c we have to issue demand later. Need response by Wed.
- c. Van: we will respond by Wed of next week, and if we can't then we will let you know.